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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/038,588	01/02/2002	Bernadino Pavone	65,160-039	1438

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EXAMINER

CHOI, PETER H

ART UNIT	PAPER NUMBER
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3623

DATE MAILED: 02/27/2006

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary

Application No.

10/038,588

Applicant(s)

PAVONE ET AL.

Examiner

Peter Choi

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 02 January 2002.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-12 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-12 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
- Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
- Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
 2. ☐ Certified copies of the priority documents have been received in Application No. _____.
 3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- | | |
|--|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892) | 4) <input type="checkbox"/> Interview Summary (PTO-413) |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | Paper No(s)/Mail Date. _____ |
| 3) <input checked="" type="checkbox"/> Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08) | 5) <input type="checkbox"/> Notice of Informal Patent Application (PTO-152) |
| Paper No(s)/Mail Date <u>4/12/02</u> . | 6) <input type="checkbox"/> Other: _____ |

DETAILED ACTION

1. The following is a first office action upon examination of application number 10/038588. Claims 1-12 are pending in the application and have been examined on the merits discussed below.

Claim Rejections - 35 USC § 112

2. The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

3. Claims 1-12 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.

4. Claim 1 recites the limitation "said opportunity" in line 13. There is insufficient antecedent basis for this limitation in the claim. For purposes of an art rejection, the Examiner has assumed that the "said opportunity" is a reference to the aforementioned option to open a retail outlet under a franchise arrangement. Correction is required. All claims dependent on claim 1 are also rejected.

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5. Claims 1, 10 and 11 are rejected under 35 U.S.C. 112, second paragraph, as being incomplete for omitting essential steps, such omission amounting to a gap between the steps. See MPEP § 2172.01. The omitted steps are: the methodology of determining who is a qualified existing independent sales representative, and the process used to determine who is entitled to open a retail outlet. It is unclear what metrics or processes are used to evaluate the qualification of independent sales representatives. All claims dependent on these claims are also rejected.

Claim Rejections - 35 USC § 103

6. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

7. Claims 1-12 are rejected under 35 U.S.C. 103(a) as being unpatentable over Arganbright et al. (US Patent #6,980,962).

As per claim 1, Arganbright et al. teaches a method of operating a multi-level marketing company with independent sales representatives comprising the steps of:

(a) providing a multi-level network marketing company (**individuals may register with the marketing system as a Client, a Member, or a Member Plus; a**

Member Plus qualifies to earn compensation by satisfying a sales qualification level and thereby qualifying as an Independent Business Owner) [Column 2, lines 26-27, 33-35; Figure 3];

(b) providing a tiered compensation level (**different levels and structures of compensation for different product lines**) for payment of said independent sales representatives (**independent business owners earn bonuses or commissions based on the purchases by customers; distributors can be compensated in a variety of ways including, but not limited to, multilevel compensation, which includes compensation on sales made directly by the distributor as well as sales made by others, commissions on sales made only directly by the distributor, or other suitable types of commissions or compensation**), movement between said tiers being a function of productivity of said independent sales representative (**a Member Plus qualifies to earn compensation by satisfying a sales qualification level and thereby qualifying as an Independent Business Owner; in order to transition from Member Plus to IBO, each Member Plus must qualify as an IBO by earning a bonus income**) [Column 2, lines 33-35; Column 10, lines 34-35, Column 11, lines 2-3, Column 23, lines 13-18, Column 31, lines 31-33; Figure 4; Table 1 of Column 35];

(c) providing at one or more of said tiers an entitlement for said independent sales representatives to open a retail outlet of said network marketing company (**Member Plus qualifying to become an IBO {the IBO performing as a “ retail outlet”, enabled to sell products and recruit additional members}**) [Column 30,

lines 21-24];

(e) offering said opportunity to open a franchise retail outlet (**“sponsoring”**, **or introducing others to the marketing company’s business opportunity and having them sign up as, for example, but not limited to, a Member or a Member Plus**) to said qualified existing independent sales representatives [Column 23, lines 33-36].

Arganbright et al. does not explicitly teach the steps of:

(d) offering to persons who do not have an entitlement to open said retail outlet an option to open said retail outlet under a franchise arrangement, said option being conditioned upon a refusal by any qualified existing independent sales representative to open said franchise retail outlet.

Official Notice is taken that it is old and well known in the business arts that the option to open new retail outlets is restricted by franchisors and/or existing franchisees. It would have been obvious to one of ordinary skill in the art at the time of invention to modify the teachings of Arganbright et al. to include the step of restricting opening of retail outlets by franchisors and/or franchisees because the resulting combination would prevent the franchisor from being overly represented (by having an excessive number of franchisees) in a given area, because that would result in direct competition amongst franchisees for the same customers, and would also be detrimental to the ability of existing franchisees to remain successful.

As per claims 2 and 3, Arganbright et al. teaches the method of operating a network marketing company recited in claim 1, wherein said network marketing company sells goods and services ("**bonus**", **compensation or income is paid to an IBO based upon sales of marketing system products and services**) [Column 23, lines 19-25].

As per claim 4, Arganbright et al. teaches the method of operating a network marketing company recited in claim 1, wherein said productivity is an increase in sales by said independent sales representatives {**as the total monthly point value of all merchandise purchased during a particular month increases, the greater the performance bonus percentage; the larger the sales volume, the larger the percentage of Performance Bonus the IBO can receive**} [Table 1 on Column 35; Column 36, lines 4-5].

As per claim 5, Arganbright et al. teaches the method of operating a network marketing company recited in claim 1, wherein said productivity is measured by the sales or other qualifications or activities of additional independent sales representatives, said independent sales representative recruited into the network marketing company's network (**IBOs can introduce customers to a membership buying opportunity and earn bonuses or commissions based on the purchases by those members; bonus may include compensation paid to an IBO based on the volume of product sales**

to that IBO and IBOs personally sponsored by that IBO and Members and customers serviced by that IBO; IBO can receive a Performance Bonus which is calculated based upon the volume of sales made to the members within the IBO's personal group {a "group" is all IBOs who have been personally sponsored by an IBO in addition to all IBOs sponsored by those people and so on}) [Column 10, lines 34-35, Column 23, lines 3-7, 26-33, Column 36, lines 1-3].

As per claim 6, Arganbright et al. teaches the method of operating a network marketing company recited in claim 1, wherein said independent sales representatives are independent contractors **{Independent Business Owners}** [Column 10, lines 34-35].

As per claim 7, Arganbright et al. does not explicitly teach the method of operating a network marketing company recited in claim 1, wherein said persons who do not have an entitlement to open said franchise retail outlet are entities that are not current independent sales representatives of said network marketing company.

However, Official Notice is taken that it is old and well known in the business arts that non-representatives of a company who lack minimum credentials and qualifications are not entitled to open a franchise retail outlet of said company. It would have been obvious to one of ordinary skill in the art at the time of invention to modify the teachings of Arganbright et al. to include the step of denying the option to open franchise retail

outlets to entities that are not current sales representatives, because the resulting combination would enable franchisors review the qualifications of the potential franchisee to assess the likelihood of success, and to assess compatibility of philosophies between the franchisor and potential franchisee.

As per claim 8, Arganbright et al. does not explicitly teach the method of operating a network marketing company recited in claim 1, wherein said persons who do not have an entitlement to open said retail outlet are existing independent sales representatives of said network marketing company who have not yet reached said entitled tier of compensation.

Arganbright et al. teaches that a Member Plus must first qualify before becoming an IBO [Column 30, lines 21-23].

Official Notice is taken that it is old and well known in the business arts that agents/representatives/employees who have not performed at a certain level are not qualified to open franchise retail outlets. It would have been obvious to one of ordinary skill in the art at the time of invention to modify the teachings of Arganbright et al. to include the step of denying sales representatives who have not yet reached a certain tier of compensation to open a franchise retail outlet, because the resulting combination would ensure that prospective franchisees will be able to perform at adequate levels of sales to increase the likelihood of profitability.

As per claim 9, Arganbright et al. does not explicitly teach the method of operating a network marketing company recited in claim 1, wherein said option is geographically limited.

However, Official Notice is taken that it is old and well known in the business arts for franchisors to limit or restrict the sales area/region/territory of franchisees. It would have been obvious to one of ordinary skill in the art at the time of invention to modify the teachings of Arganbright et al. to include the step of geographically limiting the ability of franchisees to open a retail outlet because the resulting combination would prevent the franchisor from being overly represented (by having an excessive number of franchisees) in a given area, because that would result in direct competition amongst franchisees for the same customers, and would also be detrimental to the ability of existing franchisees to remain successful.

As per claim 10, Arganbright et al. teaches the method of operating a network marketing company recited in claim 1, further comprising the step of granting said franchise to said qualified existing independent sales representative **(Member Plus qualifying to become an IBO {the IBO performing as a “franchise”, enabled to sell product and recruit additional members})** [Column 30, lines 21-23].

Arganbright et al. does not explicitly teach the step of granting retail outlet

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franchises. However, Official Notice is taken that it is old and well known in the business arts for companies to expand their business presence by using franchisees that open retail outlets of the franchisor. It would have been obvious to one of ordinary skill in the art at the time of invention to modify the teachings of Arganbright et al. to include the step of providing an entitlement to independent sales representatives to open retail outlets, because the resulting combination would result in establishing outlets where the franchisor can sell their goods and/or services in geographical areas that will attract customers.

As per claim 11, Arganbright et al. teaches the method of operating a network marketing company recited in claim 1, further comprising the step of granting said franchise to said persons who are not otherwise entitled to open said retail outlet under said tiered compensation level system.

Arganbright et al. does not explicitly teach the step of granting retail outlet franchises to unqualified persons. Official Notice is taken that it is old and well known in the business arts to select the most qualified individuals to perform tasks (such as opening a retail outlet store), said individuals who may or may not meet preferred qualifications of assigning entity.

It would have been obvious to one of ordinary skill in the art at the time of invention to modify the teachings of Arganbright et al. to include the step of granting

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franchises to the most qualified applicants, regardless of whether or not they qualify with the preferred qualifications of the franchisor, because the resulting combination would enable the franchise to entrust new retail outlet stores in the hands of the best available applicants, and would further enable the franchisor to expand quicker, increasing its presence and market share in various locations and increasing revenue.

As per claim 12, Arganbright et al. teaches the method of operating a network marketing company recited in claim 1, wherein the goods and/or services sold are motor vehicles or parts or services related to motor vehicles **(marketing company has several merchant partners or partner stores that participate and are affiliated with the E-Commerce site of the present invention, including an Auto Network link, a link to information pertaining to an auto network)** [Column 59, line 56 – Column 60, line 27].

Furthermore, the type of product and/or services sold is merely intended use/field of endeavor. The claimed invention is practiced the same regardless of the type of product and/or services offered.

Conclusion

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Any inquiry concerning this communication or earlier communications from the examiner should be directed to Peter Choi whose telephone number is (571) 272 6971. The examiner can normally be reached on M-F 8-5.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Tariq Hafiz can be reached on (571) 272-6729. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).

PC

February 21, 2006

Peter Choi
Examiner
Art Unit 3623

Susanna M. Diaz

SUSANNA M. DIAZ
PRIMARY EXAMINER

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